

AN ACT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend Title 47 of the District of Columbia Code to provide qualifications for certain companies as Qualified High Technology Companies, to provide income tax filing requirements for Qualified High Technology Companies, to provide tax credits for Qualified High Technology Companies for employee relocation costs, for wages paid to qualified employees, and for training costs for, and wages paid to recipients of, Temporary Assistance to Needy Families and to persons released from incarceration; to allow the Mayor to provide financial assistance to Qualified High Technology Companies for lease security deposits and to lease real property for the purpose of subleasing the real property to Qualified High Technology Companies at less than commercially prevailing rental rates; to amend An Act Authorizing the sale of certain real estate in the District of Columbia no longer required for public purposes to require a report by the Mayor on the feasibility of making available to Qualified High Technology Companies unused District of Columbia property and a study by the Superintendent of Public Schools on unused or underutilized public school buildings and to lease such space to Qualified High Technology Companies who shall provide high technology assistance to the public schools; and to amend Title 47 of the District of Columbia Code to provide for real property tax abatement for improvements made to certain buildings used by a Qualified High Technology Company, to provide for a partial exemption from the personal property tax for Qualified High Technology Companies, to provide for an exemption from sales and use taxes for sales to, and by, Qualified High Technology Companies of certain property; to reduce the income tax on Qualified High Technology Companies to 6% and to exempt Qualified High Technology Companies located in high-technology zones from income tax; to allow Qualified High Technology Companies to deduct as an expense for income tax purposes the lesser of \$40,000 or the cost of property described in section 179 of the Internal Revenue Code of 1986, to allow deductions on tenant-made leasehold improvements by a Qualified High Technology Company, and to exclude capital gains of, and in respect to, Qualified High Technology Companies and allow a rollover of certain capital gains.

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BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “New E-Conomy Transformation Act of 2000”.

TITLE I. QUALIFIED HIGH TECHNOLOGY COMPANIES.

Sec. 101. Title 47 of the District of Columbia Code is amended as follows:

(a)(1) The table of contents for Chapter 18 is amended by adding a new Subchapter XVII to read as follows:

"Subchapter XVII. Qualified High Technology Companies.

"Sec.

"§ 47-1817.1. Definitions."

(2) A new section 47-1817.1 is added to read as follows:

"§ 47-1817.1. Definitions.

"For the purposes of this chapter, the term:

"(1)(A) "Qualified asset" means a:

"(i) Qualified stock;

"(ii) Qualified partnership interest; or

"(iii) Qualified business property.

"(B) A qualified asset shall include property which was a qualified asset in the hands of a prior holder.

"(2)(A) "Qualified business property" means tangible property if:

"(i) The property was acquired by the taxpayer by purchase, as defined in section 179(d)(2) of the Internal Revenue Code of 1986, after December 31, 2000;

"(ii) The original use of the property commences with the taxpayer; and

"(iii) Substantially all of the use of the property was in a Qualified High Technology Company.

"(B) This paragraph shall apply to real property which is substantially improved by the taxpayer before January 1, 2003, and any land on which the property is located.

"(C) For the purposes of subparagraph (B) of this paragraph, real property shall be substantially improved by the taxpayer if, during any 24-month period beginning after December 31, 2000:

"(i) Additions to basis with respect to the property in the hands of the taxpayer exceed the greater of:

"(I) An amount equal to the adjusted basis of the property at the beginning of the 24-month period in the hands of the taxpayer; or

"(II) \$5,000; and

"(ii) At least 51% of the additions to basis represent improvements which facilitate the conduct of a Qualified High Technology Company on the premises, including improvements to electrical wiring or telecommunications facilities serving the building.

"(3) "Qualified capital gain" means gain recognized on the sale or exchange of a capital asset or property used in a trade or business, as defined in § 47-1801.4. The term "qualified capital gain" shall not include gain which is:

"(A) Treated as ordinary income under sections 1245 or 1250 of the Internal Revenue Code of 1986 if section 1250 applied to all depreciation rather than additional depreciation;

"(B) Attributable to real property or an intangible asset which is not an integral part of a Qualified High Technology Company's business operations in the District; or

"(C) Attributable, directly or indirectly, in whole or in part, to a transaction with a related person.

"(4) "Qualified employee" means a person who is employed in the District by a Qualified High Technology Company.

"(5)(A) "Qualified High Technology Company" means:

"(i) An individual or entity organized for profit and maintaining an office, headquarters, or base of operations in the District of Columbia;

"(ii) Having 2 or more employees; and

"(iii) Deriving at least 51% of its gross revenues from:

"(I) Internet-related services and sales, including website design, maintenance, hosting, or operation; Internet-related training, consulting, advertising, or promotion services; the development, rental, lease, or sale of Internet-related applications, connectivity, or digital content; or products and services that may be considered e-commerce;

"(II) Information and communication technologies, equipment and systems that involve advanced computer software and hardware, data processing, visualization technologies, or human interface technologies, whether deployed on the Internet or other electronic or digital media. Such technologies shall include operating and applications software; Internet-related services, including design, strategic planning, deployment, and management services and artificial intelligence; computer modeling and simulation; high-level software languages; neural networks; processor architecture; animation and full-motion video; graphics hardware and software; speech and optical character recognition; high-volume information storage and retrieval; data compression; and multiplexing, digital signal processing, and spectrum technologies;

"(III) Advanced materials and processing technologies that involve the development, modification, or improvement of one or more materials or methods to produce devices and structures with improved performance characteristics or special functional attributes, or to activate, speed up, or otherwise alter chemical, biochemical, or medical processes. Such materials and technologies shall include metal alloys; metal matrix and ceramic composites; advanced polymers; thin films; membranes; superconductors; electronic and photonic materials; bioactive materials; bioprocessing; genetic engineering; catalysts; waste emissions reduction; pharmaceuticals; and waste processing technologies;

"(IV) Engineering, production, biotechnology and defense technologies that involve knowledge-based control systems and architectures; advanced fabrication and design processes, equipment, and tools; or propulsion, navigation, guidance, nautical, aeronautical and astronautical ground and airborne systems, instruments, and equipment. Such technologies shall include: computer-aided design and engineering; computer-integrated manufacturing; robotics and automated equipment; integrated circuit fabrication and

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test equipment; sensors; biosensors; signal and image processing; medical and scientific instruments; precision machining and forming; biological and genetic research equipment; environmental analysis, remediation, control, and prevention equipment; defense command and control equipment; avionics and controls; guided missile and space vehicle propulsion units; military aircraft; space vehicles; and surveillance, tracking, and defense warning systems; or

"(V) Electronic and photonic devices and components for use in producing electronic, optoelectronic, mechanical equipment and products of electronic distribution with interactive media content. Such technologies shall include microprocessors; logic chips; memory chips; lasers; printed circuit board technology; electroluminescent, liquid crystal, plasma, and vacuum fluorescent displays; optical fibers; magnetic and optical information storage; optical instruments, lenses, and filters; simplex and duplex data bases; and solar cells.

"(B) "Qualified High Technology Company" shall not include an individual or entity that derives 51% or more of its gross revenues from the operation in the District of:

- (i) A retail store; or
- (ii) An electronic equipment facility that is primarily occupied, or intended to be occupied, by electronic and computer equipment that provides electronic data switching, transmission, or telecommunication functions between computers, both inside and outside the facility.

"(6) "Qualified partnership interest" means a capital or profits interest in a partnership, formed under the laws of the District of Columbia or any state of the United States of America, which is originally issued after December 31, 2000, if:

"(A) The interest is acquired by the taxpayer from the partnership solely in exchange for cash;

"(B) On the date of acquisition, the partnership was a Qualified High Technology Company (or, in the case of a new partnership, the partnership was organized for purposes which would qualify it as a Qualified High Technology Company); and

"(C) During substantially all of the taxpayer's holding period for the interest, the partnership qualified as a Qualified High Technology Company.

"(7) "Qualified stock" means stock in a corporation, formed under the laws of the District of Columbia or any state of the United States of America, which is originally issued after December 31, 2000, if:

"(A) The stock is originally issued to the taxpayer, directly or through an underwriter, solely in exchange for cash;

"(B) On the date of issuance, the corporation was a Qualified High Technology Company (or, in the case of a new corporation, the corporation was being organized for purposes which would qualify it as a Qualified High Technology Company); and

"(C) During substantially all of the taxpayer's holding period for the

stock, the corporation qualified as a Qualified High Technology Company.

(b)(1) The table of contents for Chapter 18 is amended by adding the section designation "47-1805.5. Same--Certification by Qualified High Technology Company." after the section designation "47-1805.4. Same--Divulgence of information."

(2) A new section 47-1805.5 is added to read as follows:

"§ 47-1805.5. Same--Certification by Qualified High Technology Company.

"(a) *Certification.* Except as otherwise provided herein, to claim a credit or other benefit under this title as a Qualified High Technology Company, a Qualified High Technology Company shall attach to its applicable tax return an original affidavit certifying that it is a Qualified High Technology Company.

"(b) A taxpayer which certifies that is a Qualified High Technology Company shall be subject to audit, to the same extent as any other taxpayer, to verify that the taxpayer qualified as a Qualified High Technology Company.

(c)(1) The table of contents for Chapter 42 is amended by adding the section designation "47-4218. Penalties for Qualified High Technology Company." after the section designation "47-4217. Tax return preparers; aiding and abetting others."

(2) A new section 47-4218 is added to read as follows:

"§ 47-4218. Penalties for Qualified High Technology Company.

"A taxpayer certifying in good faith that it is a Qualified High Technology Company shall not be subject to any penalties under this chapter if it is determined that the taxpayer does not qualify as a Qualified High Technology Company."

TITLE II. WORKFORCE DEVELOPMENT.

Sec. 201. Title 47 of the District of Columbia Code is amended as follows:

(a) The table of contents for Chapter 18 is amended by adding the section designation "47-1817.2. Tax credit for Qualified High Technology Company employment relocation costs; exceptions." after the section designation "47-1817.1. Definitions."

(b) A new section 47-1817.2 to read as follows:

"§ 47-1817.2. Tax credit for Qualified High Technology Company employment relocation costs; exceptions.

"(a) For the purposes of this section, the term "relocation costs" means amounts paid to, or on behalf of, a qualified employee:

"(1) For reimbursement of actual moving expenses; or

"(2) To assist the employee in financing the purchase of a residence, or the required security deposit or lease payments for the first 12 months of a lease for a residence under a lease of at least one year, which purchase or lease is entered into after December 31, 2000.

"(b)(1) Except as provided in subsection (c) of this section, for taxable years beginning after December 31, 2000, a Qualified High Technology Company shall be allowed a credit not to

exceed:

"(A) \$5,000 against the tax imposed by § 47-1817.6 for the relocation costs for each qualified employee relocated to the District from a location outside the District; or

"(B) \$7,500 against the tax imposed by § 47-1817.6 for the relocation costs for each qualified employee relocated to the District from a location outside the District, which employee also relocates his or her principal residence into the District.

"(2) The credit may be claimed for costs incurred after December 31, 2000, in connection with qualified employees relocated to the District after that date.

"(c)(1) The annual credit under subsection (b) of this section shall not exceed, in the aggregate:

"(A) \$250,000 for the credit allowed under subsection (b)(1)(A) of this section; and

"(B) \$1,000,000 for the credit allowed under subsection (b)(1)(B) of this section.

"(2) The credit under subsection (b) of this section shall not be allowed:

"(A) Until the Qualified High Technology Company relocates at least 2 qualified employees into the District;

"(B) Until the Qualified High Technology Company has employed the qualified employee for at least 6 months in the District;

"(C) As a credit for employees who work less than 35 hours per week;

"(D) If the qualified employee is a member of the board of directors of the Qualified High Technology Company, directly or indirectly owns a majority of its stock, or is related to a member of the board of directors or a majority stockholder as a spouse or a relative listed in the definition of "dependent" in section 152 of the Internal Revenue Code of 1986, without regard to source of income; or

"(E) If the Qualified High Technology Company has claimed a deduction for the relocation costs.

"(d) If the amount of the credit allowable under this section exceeds the tax otherwise due from a Qualified High Technology Company, the unused amount of the credit may be carried forward for 10 years."

Sec. 202. Title 47 of the District of Columbia Code is amended as follows:

(a) The table of contents for Chapter 18 is amended by adding the section designation "47-1817.3. Tax credit to Qualified High Technology Companies for wages to qualified employees; exceptions." after the section designation "47-1817.2. Tax credit for Qualified High Technology Company employment relocation costs; exceptions."

(b) A new section 47-1807.3 is added to read as follows:

"§ 47-1817.3. Tax credit to Qualified High Technology Companies for wages to qualified employees; exceptions.

“(a) Except as provided in subsection (b) of this section, for taxable years beginning after December 31, 2000, a Qualified High Technology Company shall be allowed a credit against the tax imposed by § 47-1817.6 equal to 10% of the wages paid during the first 24 calendar months of employment to a qualified employee hired after December 31, 2000.

“(b) The credit under subsection (a) of this section shall not be allowed:

“(1) To exceed, for each qualified employee, \$5,000 in a taxable year;

“(2) If the Qualified High Technology Company accords the qualified employee lesser benefits or rights than it accords other employees in similar jobs;

“(3) If the qualified employee was employed as the result of:

(A) The displacement, other than for cause, of another employee;

(B) A strike or lockout;

(C) A layoff in which other employees are awaiting recall; or

(D) A reduction of the regular wages, benefits, or rights of other employees in similar jobs; or

“(4) If the qualified employee is a member of the board of directors of the Qualified High Technology Company or, directly or indirectly, owns a majority of its stock.

“(c) If the amount of the credit allowable under this section exceeds the tax otherwise due from a Qualified High Technology Company, the unused amount of the credit may be carried forward for 10 years.”.

Sec. 203. Title 47 of the District of Columbia Code is amended as follows:

(a) The table of contents for Chapter 18 is amended by adding the section designations "47-1817.4. Tax credit to Qualified High Technology Companies for retraining costs for qualified disadvantaged employees. 47-1817.5. Tax credit to Qualified High Technology Companies for wages to qualified disadvantaged employees." after the section designation "47-1817.3. Tax credit to Qualified High Technology Companies for wages to qualified employees; exceptions."

(b) New sections 47-1817.4 and 47-1817.5 are added to read as follows:

“§ 47-1817.4. Tax credit to Qualified High Technology Companies for retraining costs for qualified disadvantaged employees.

“(a)(1) For purposes of this section, the term "qualified disadvantaged employee" means a District resident who:

“(A) Is a recipient of Temporary Assistance for Needy Families (“TANF”);

“(B) Was a recipient of TANF in the period immediately proceeding employment;

“(C) Was released from incarceration within 24 months before the date of employment by a Qualified High Technology Company; or

“(D) Is an employee hired, or relocated to the District, after December 31,

2000 and for which a Qualified High Technology company also is eligible to claim the Welfare to Work Tax Credit or the Work Opportunity Tax Credit under the Internal Revenue Code of 1986.

(B) An employee who was employed as the result of:

- (i) The displacement, other than for cause, of another employee;
- (ii) A strike or lockout;
- (iii) A layoff in which other employees are awaiting recall; or
- (iv) A reduction of the regular wages, benefits, or rights of other

employees in similar jobs.

"(2) The term "qualified disadvantaged employee" shall not mean or include:

(A) A temporary or seasonal employee; or

(B) An employee who was employed as the result of:

- (i) The displacement, other than for cause of another employee;
- (ii) A strike or lockout;
- (iii) A layoff in which other employees are awaiting recall; or
- (iv) A reduction of the regular wages, benefits, or rights of other

employees in similar jobs.

"(b) For taxable years beginning after December 31, 2000, a Qualified High Technology Company shall be allowed a credit against taxes imposed by § 47-1817.6 for expenditures paid or incurred during the taxable year for retraining of a qualified disadvantaged employee.

"(c) Qualified disadvantaged employee retraining expenditures which are eligible for the tax credit are:

"(1) Tuition, costs, or fees for credit or noncredit courses leading to academic degrees or certification of professional, technical, or administrative skills taken at District-based accredited colleges or universities or the cost for formal enrollment in training programs offered by nonprofit training providers (including community or faith-based organizations certified for the provision of training or job-readiness preparation at skill levels suitable for immediate performance of entry-level jobs), in demand among technology companies in general, and information and telecommunications companies in particular. Eligible training programs, other than those at District-based accredited colleges or universities, shall be pre-qualified for participation under this section by the Department of Employment Services; and

"(2) Worker retraining programs undertaken through an apprenticeship agreement approved by the District of Columbia Apprenticeship Council.

"(d) The credit claimed under this section shall be limited to \$20,000 for each qualified disadvantaged employee during the first 18 months of employment.

"(e) If the amount of the credit allowable under this section exceeds the tax otherwise due from a Qualified High Technology Company, the unused amount of the credit may be:

"(1) Carried forward for 10 years; or

"(2) Taken as a refundable credit in an amount up to 50% of the credit.

"§ 47-1817.5. Tax credit to Qualified High Technology Companies for wages to qualified disadvantaged employees.

"(a) Except as provided in subsection (b) of this section, for taxable years beginning after December 31, 2000, a Qualified High Technology Company shall be allowed a credit against the tax imposed by § 47-1817.6 equal to 50% of the wages paid to a qualified disadvantaged employee, as defined in § 47-1817.4, during the first 24 calendar months of employment.

"(b) The credit under subsection (a) of this section shall not be allowed:

"(1) To exceed \$15,000 in a taxable year for a qualified disadvantaged employee;
or

"(2) If the Qualified High Technology Company accords the qualified disadvantaged employee lesser benefits or rights than it accords other employees in similar jobs.

"(c) If the amount of the credit allowable under this section exceeds the tax otherwise due from a Qualified High Technology Company, the unused amount of the credit may be carried forward for 10 years."

TITLE III. AFFORDABLE FACILITIES.

Sec. 301. Security deposit assistance.

(a)(1) The Mayor shall establish a program to provide funding assistance for the security deposit required for a lease of real property for operations of a Qualified High Technology Company, as defined in D.C. Code § 47-1817.1(5).

(2) No funding assistance shall be provided under this section if:

(A) Other financial assistance meeting the requirements of the applicant is available on reasonable terms; or

(B) If the Mayor determines that there exists a reasonable expectation that the Qualified High Technology Company will not perform the covenants and conditions of the lease.

(3) In exchange for funding assistance under this section, a Qualified High Technology Company shall provide:

(A) Training courses to District of Columbia Public School teachers and administrators for the more efficient use of technology in the education process;

(B) Internships to District of Columbia Public School students throughout the calendar year;

(C) Employment to District of Columbia Public School students during the summer months when school is not in session;

(D) Technical support or expertise, including networking and maintaining computer systems and other related activities; or

(E) Any other assistance considered appropriate or acceptable by the Mayor.

(4) The Mayor shall, at 6-month intervals following the commencement of the

program, report to the Council on the terms and results of the program, including any agreement entered into under subsection (b) of this section, as of the date of each report.

(b) To implement the program described in subsection (a) of this section, the Mayor may enter into an agreement with a Qualified High Technology Company, commercial real estate broker, landlord, venture capitalist, business incubator, technology company, commercial bank, investment banker, or a for-profit, nonprofit, or public-sector entity, in connection with the provision of a security deposit for real property and equipment by, or on behalf of, a Qualified High Technology Company. The agreement shall state the total cost to the District of Columbia and the proportion which the cost to the District of Columbia bears to the total cost of the agreement. The Mayor shall make reasonable provision to ensure repayment to the District of Columbia of all amounts provided as assistance under this section. The Mayor may accept, in exchange for the District of Columbia's participation in any such agreements, warrants, options, equity, preferred shares, or convertible debt of the applicable Qualified High Technology Company, or other consideration."

Sec. 302. Master lease program.

(a) For purposes of this section, the term "sponsor" means a commercial real estate broker, landlord, venture capitalist, business incubator, technology company, commercial bank, investment banker, or a for-profit, nonprofit, or public-sector entity acting on behalf of a Qualified High Technology Company.

(b)(1) The Mayor may enter into one or more master leases of real property within the District of Columbia for the purpose of subleasing, directly or through a sponsor of a Qualified High Technology Company, the real property to a Qualified High Technology Company which is unable to secure financing for a facility on prevailing commercial terms.

(2) The Mayor may sublease the premises for a rent which, in his or her discretion, may be less than, but shall not exceed, the rental rate under the master lease. The term of a sublease shall be at least 12, but not greater than 36, months, including any option to extend the sublease.

(3) The master lease may be for all or part of a facility and shall provide that the District of Columbia shall have the unqualified right to sublease the space to a Qualified High Technology Company which is unable to secure financing for the facility, or a comparable facility, at commercially reasonable terms.

(4) The master lease shall provide that the District of Columbia is not liable in the event of a default by the lessor or other applicable party to the master lease under any financing or other agreement binding on the lessor or other party.

(c) In exchange for funding assistance under this section, a Qualified High Technology Company shall provide:

(1) Training courses to District of Columbia Public School teachers and administrators for the more efficient use of technology in the education process;

- (2) Internships to District of Columbia Public School students throughout the calendar year;
- (3) Employment to District of Columbia Public School students during the summer months when school is not in session;
- (4) Technical support or expertise, including networking and maintaining computer systems and other related activities; or
- (5) Any other assistance considered appropriate or acceptable by the Mayor.

Sec. 303. An Act Authorizing the sale of certain real estate in the District of Columbia no longer required for public purposes, approved August 5, 1939 (53 Stat. 1211; D.C. Code § 9-401), is amended by adding a new section 5 to read as follows:

"(a) For purposes of this section, the term:

"(1) "Qualified High Technology Company" shall have the same meaning as set forth in D.C. Code § 47-1817.1(5).

"(2) "Below-market rates" means rental rates representing a discount from prevailing market rents.

"(3) "Sponsor" means a commercial real estate broker, landlord, venture capitalist, business incubator, technology company, commercial bank, investment banker, or a for-profit, nonprofit, or public-sector entity acting on behalf of a Qualified High Technology Company.

"(b) Not later than one year after the effective date of this section, the Mayor shall report to the Council on the feasibility of selling, conveying, or leasing real property owned in fee simple or leased by the District of Columbia that is no longer required for public purposes to Qualified High Technology Companies.

"(c) Not later than one year after the effective of this section, the Superintendent of the District of Columbia Public Schools ("Superintendent") shall conduct a study of unused or underutilized buildings within the public school system and report the results to the Mayor and Council.

"(d) The Mayor may lease, directly or through a sponsor of a Qualified High Technology Company, real property, or portions thereof, which are not required for public purposes to a Qualified High Technology Company at reasonable below-market rates. The Mayor shall promulgate regulations setting forth the method of determining whether properties owned or leased by the District of Columbia are not required for public purposes and the terms on which such properties may be leased under this section.

"(e)(1) Within a reasonable time after the report described in subsection (c) of this section, the Mayor may, with the consent of the Superintendent, lease unused or underutilized public school real property to Qualified High Technology Companies or their sponsors at reasonable below-market rates.

"(2) In exchange for facilities assistance under this section, a Qualified High

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Technology Company shall provide :

“(A) Training courses to District of Columbia Public School teachers and administrators for the more efficient use of technology in the education process;

“(B) Internships to District of Columbia Public School students throughout the calendar year;

“(C) Employment to District of Columbia Public School students during the summer months when school is not in session;

“(D) Technical support or expertise, including networking and maintaining computer systems and other related activities; or

“(E) Any other assistance considered appropriate or acceptable by the Mayor and Superintendent.

“(f) The Mayor and the Superintendent shall convene a summit to facilitate the internships and jobs described in subsection (e)(2) of this section.”.

(g) Nothing in this section shall affect the preference for public charter schools in leasing or purchasing public school facilities, as set forth in § 31-2853.19.

Sec. 304. Title 47 of the District of Columbia Code is amended as follows:

(a) The table of contents for Chapter 8 is amended by adding the section designation "47-811.3. Real property tax abatement for certain commercial properties." after the section designation "47-811.2. Overpayment; credit or refund; interest."

(b) A new section 47-811.3 is added to read as follows:

“§ 47-811.3. Real property tax abatement for certain commercial properties.

“(a) For the purposes of this section, the term:

“(1) “Applicant” means the landlord or the tenant.

“(2) “Benefit period” means the period commencing on the first day of the month immediately following the rent commencement date and terminating no later than 60 months thereafter.

“(3) “Billed assessed value” means the lesser of the taxable transitional assessed value or the taxable actual assessed value of the eligible building and the land on which the eligible building is located for the fiscal year in which the benefit period commences.

“(4) “Eligible building” means a non-residential or mixed-use building in which:

“(A) At least 50% of its tenants are Qualified High Technology Companies; or

“(B) At least 50% of its aggregate square footage is leased to a Qualified High Technology Company using the premises as an office or retail space.

“(5) “Eligible premises” means premises located in an eligible building which are occupied and used as an office (including ancillary uses) or retail space by a Qualified High Technology Company under a lease.

“(6) “Landlord” means a person who controls all non-residential portions of an

eligible building, including the record owner, the lessee under a ground lease, any mortgagee in possession, or any receiver, and grants the right to occupy and use eligible premises to a tenant; provided, that the landlord shall not include a lessee who, at any time during the lease term, has occupied and used any part of the non-residential portions of the eligible building, other than premises occupied and used by the lessee to provide rental management services to the building.

"(7) "Mixed-use building" means a building used for both residential and non-residential purposes.

"(8) "Qualified High Technology Company" shall have the same meaning as set forth in § 47-1317.1(4).

"(9) "Tenant" means a Qualified High Technology Company that executes a lease under which it occupies and uses eligible premises. The term "tenant" shall include a subtenant if the subtenant is a Qualified High Technology Company.

"(b)(1) If (A) a new building is constructed for which the initial certificate of occupancy or initial temporary certificate of occupancy was received after December 31, 2000, or improvements or renovations are made which are necessary to adapt or convert an existing building, or a portion thereof, for use by a Qualified High Technology Company, and (B) the building is an eligible building, to the extent of eligible premises therein, the real property tax increase attributable to the increase in the billed assessed value shall be abated for 5 years.

"(2) If a tenant is liable for real property taxes under its lease and the tenant makes improvements or renovations necessary to adapt or convert an eligible building, or a portion thereof, for its own use as a Qualified High Technology Company, or for use by a Qualified High Technology Company as a subtenant, the tenant shall receive the abatement from the real property tax increase provided under paragraph (1) of this subsection.

"(3) If a lease for eligible premises terminates during the 5-year abatement period, the abatement shall remain effective for a period not to exceed 12 months so long as the landlord or tenant, as applicable, makes a good faith effort to lease the eligible premises to a Qualified High Technology Company.

"(4) The abatement shall be revoked immediately if the landlord or tenant, as applicable, shall lease the premises to a tenant other than a Qualified High Technology Company so that the premises or building no longer constitutes eligible premises or an eligible building.

"(5) The abatement under this section shall be claimed by attaching to the real property tax return an original affidavit from each tenant stating that the tenant is a Qualified High Technology Company."

Sec. 305. Funds subject to appropriations.

The expenditure of funds necessary to implement the provisions of sections 301 and 302 are subject to the availability of appropriations; provided, that any allocation of funds shall not be made in a manner that constitutes the lending of the public credit for private undertakings as contained in section 602(a)(2) of the District of Columbia Home Rule Act, approved December 24, 1983 (87 Stat. 813; D.C. Code § 1-233(a)(2)).

TITLE IV. TARGETED FINANCIAL INCENTIVES.

Sec. 401. Section 47-1508(a) of the District of Columbia Code is amended by adding a new paragraph (10) to read as follows:

"(10)(A) The personal property of a Qualified High Technology Company for the 10 years beginning in the year of

purchase.

“(B) For the purposes of this paragraph, the term “qualified property” means any personal property, as defined in § 47-1521(4), which is used or held by a Qualified High Technology Company.

“(C) This exemption shall apply to qualified property purchased after December 31, 2000.”.

Sec. 402. Title 47 of the District of Columbia Code is amended as follows:

(a) Section 47-2001(n)(2) is amended as follows:

- (1) Subparagraph (E) is amended by striking the word "or" at the end.
- (2) Subparagraph (F) is amended by striking the period at the end and inserting the phrase "; or" in its place.
- (3) A new subparagraph (G) is added to read as follows:

"(G) Sales within the District of Columbia by Qualified High Technology Companies of intangible property or services otherwise taxable as a retail sale or sale at retail, including Internet-related services and sales, including website design, maintenance, hosting, or operation; Internet-related consulting, advertising, or promotion services; the development, rental, lease, or sale of Internet-related applications, connectivity, digital content, or products and services; advertising space and design; graphic design; banner advertising; subscription services; downloads from databases; services that involve the provision of strategic advice for Internet use and presence; Internet website design and maintenance services; Internet website assessment and diagnostic services; the use of proprietary content, information, and other services as part of a package of Internet advice and consulting services. This paragraph shall not apply to telecommunication service providers."

(b) Section 47-2005 of the District of Columbia Code is amended as follows:

- (1) Paragraph (27) is amended by striking the word "and" at the end of the paragraph.
- (2) Paragraph (28) is amended by striking the period at the end of the paragraph and inserting the phrase "; and " in its

place.

- (3) A new paragraph (29) is added to read as follows:

"(29) Sales to a Qualified High Technology Company of computer software or hardware, and visualization and human interface technology equipment, including operating and applications software, computers, terminals, display devices, printers, cable, fiber, storage media, networking hardware, peripherals, and modems when purchased for use in connection with the operation of the Qualified High Technology Company."

Sec. 403. (a) The table of contents for Chapter 18 is amended by adding the section designation "47-1817.6. Tax on Qualified High Technology Companies." after the section designation "47-1817.5. Tax credit to Qualified High Technology Companies for wages to qualified disadvantaged employees."

(b) A new section 47-1817.6 is added to read as follows:

“§ 47-1817.6. Tax on Qualified High Technology Companies.

“(a)(1) Notwithstanding any other provision of this chapter, and in lieu of the tax on taxable income imposed by § 47-1807.2, subject to the credits applicable thereto, a tax on taxable income at a rate of 6% shall be imposed upon Qualified High Technology Companies which are corporations, except as provided for in paragraph (2) of this subsection.

“(2)(A) For purposes of this paragraph, the term "high technology development

zones" mean the geographic areas described in the priority development areas listed in § 1-2295.20 and as designated under subparagraph (B) of this paragraph.

"(B) The Mayor may propose regulations designating additional high technology development zones. The Mayor shall transmit the proposed regulations to the Council for a 45-day period of review. If the Council does not approve the regulations, in whole or in part, by resolution within the 45-day review period, the regulations shall be deemed approved.

"(C) A Qualified High Technology Company within a high technology development zone shall not be subject to the tax imposed by this chapter for 5 years after the date that the Qualified High Technology Company commences business in the high technology development zone.

"(b) The transfer of ownership of a Qualified High Technology Company shall not affect eligibility under this section.

"(c) The Mayor may issue regulations to carry out the provisions of this section."

Sec. 404. Section 47-1803.3(a) of the District of Columbia Code is amended by adding a new paragraph (18) to read as follows:

"(18) *Election to expense certain depreciable business assets.* In the case of a Qualified High Technology Company, there shall be allowed a deduction equal to:

"(A) An amount which is the lesser of \$40,000 or the actual cost of property for property described in section 179(d)(1) of the Internal Revenue Code of 1986; and

"(B) If the Qualified High Technology Company is a tenant, the cost of any real property and leasehold improvements regardless of whether or not such improvements become an integral part of the realty, which improvements shall include improvements described in subsections 702.3, 702.4, and 702.5 of Title 9 of the District of Columbia Municipal Regulations."

Sec. 405. Section 47-1808.1 of the District of Columbia Code is amended as follows:

(a) Paragraph (3) is amended by striking the word "or."

(b) Paragraph (4) is amended by striking the period and inserting the phrase "; or" in its place.

(c) A new paragraph (5) is added to read as follows:

"(5) A Qualified High Technology Company."

Sec. 406. Section 47-1803.2(a)(2) of the District of Columbia Code is amended by adding a new subparagraph (Q) to read as follows:

"(Q) Qualified capital gain from the sale or exchange of a Qualified High Technology Company asset held for more than 5 years; provided, that in the case of a sale or exchange of an interest in a partnership or of stock in an S corporation, which entity was a

Qualified High Technology Company during substantially all of the period the taxpayer held the interest or stock, the amount of qualified capital gain shall not include gain which:

"(1) Is attributable to real property or an intangible asset which is not an integral part of a Qualified High Technology Company; and

"(2) Occurs before January 1, 2001 or after December 31, 2007.".

Sec. 407. Title 47 of the District of Columbia Code is amended as follows:

(a) The table of contents for Chapter 18 is amended by inserting the section designation "47-1817.7. Rollover of capital gain from qualified stock to other qualified stock." after the section designation "47-1817.6. Tax on Qualified High Technology Companies.".

(b) A new section 47-1817.7 is added to read as follows:

"(a) For purposes of this section, the term "qualified stock" means stock of a company which is qualified small business stock, as defined under section 1202(c) of the Internal Revenue Code of 1986, and issued by a Qualified High Technology Company.

"(b)(1) In the case of a sale of qualified stock held by a taxpayer other than a corporation for more than 6 months and with respect to which the taxpayer elects the application of this section, gain from the sale shall be recognized to the extent the amount realized on the sale exceeds the cost of qualified stock purchased by the taxpayer during the 60-day period beginning on the date of the sale, reduced by the amount of the gain, not to exceed such cost, previously deferred under this paragraph.

"(2) A taxpayer shall be treated as having purchased qualified stock if, but for paragraph (3) of this subsection, the adjusted basis of the property in the hands of the taxpayer would be its cost.

"(3)(A) If gain from a sale is not recognized under paragraph (1) of this subsection, the unrecognized gain shall reduce the basis of qualified stock, in the order acquired, which is purchased by the taxpayer during the 60-day period described in paragraph (1) of this subsection.

"(B) For purposes of determining whether the nonrecognition of gain under paragraph (1) of this subsection applies to qualified stock which is sold:

"(i) The taxpayer's holding period for the stock and the stock referred to in this subsection shall be determined without regard to section 1223 of the Internal Revenue Code of 1986; and

"(ii) Only the first 6 months of the taxpayer's holding period for the stock referred to in this subsection shall be taken into account for purposes of applying section 1202(c)(2) of the Internal Revenue Code of 1986.

"(c) This section shall not apply to any gain which is treated as ordinary income under the Internal Revenue Code of 1986.

Sec. 408. Title 47 of the District of Columbia Code is amended as follows:

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(a) The table of contents for Chapter 18 is amended by adding the section designation "47-1817.8. Severability." after the section designation "47-1817.7. Rollover of capital gain from qualified stock to other qualified stock."

(b) A new section 47-1817.8 is added to read as follows:

"§ 47-1817.8. Severability.

"If any provision of this title relating to a Qualified High Technology Company is held to be invalid:

"(1) Any tax abatement, credit, or other benefit provided under this title shall not be increased, and the amount of tax imposed under this title shall not be decreased, as a result of such invalidity; and

"(2) A Qualified High Technology Company shall not pay additional taxes under this title to the District of Columbia until any proceedings to contest such taxes become final."

TITLE V. FISCAL IMPACT STATEMENT AND EFFECTIVE DATE.

Sec. 501. Fiscal impact statement.

The Council adopts the attached fiscal impact statement as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(3)).

Sec. 502. Inclusion in the budget and financial plan.

This act shall take effect upon the inclusion of its fiscal effect in the budget and financial plan.

Sec. 503. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), approval by the Financial Responsibility and Management Assistance Authority as provided in section 203(a) of the District of Columbia Financial Responsibility and Management Assistance Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C. Code § 47-392.3(a)), a 30-day period of Congressional review as provided in

section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 831; D.C. Code § 1-233(c)(1)), and publication in the District of Columbia Register.

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Chairman
Council of the District of Columbia

Mayor
District of Columbia